

7-1935

## Students' Department

H. P. Baumann

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

---

### Recommended Citation

Baumann, H. P. (1935) "Students' Department," *Journal of Accountancy*. Vol. 60 : Iss. 1 , Article 8.  
Available at: <https://egrove.olemiss.edu/jofa/vol60/iss1/8>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).

# Students' Department

H. P. BAUMANN, *Editor*

## AMERICAN INSTITUTE EXAMINATIONS

[NOTE.—The fact that these answers appear in THE JOURNAL OF ACCOUNTANCY should not cause the reader to assume that they are the official answers of the board of examiners. They represent merely the opinions of the editor of the *Students' Department*.]

### EXAMINATION IN ACCOUNTING THEORY AND PRACTICE—PART I

May 16, 1935, 1:30 P. M. to 6:30 P. M.

*Solve problem 1 or 2 and all other problems.*

No. 1 (30 points):

The U. S. A. Company, a domestic corporation, purchased on January 1, 1931, a 90% interest in the capital stock of X Company, Limited, an English corporation, for the sum of \$550,000. The U. S. A. Company acquired a further 5% interest in X Company, Limited, on June 30, 1932, for \$25,000.

The following is a summary of the position of X Company, Limited, as shown by the reports of the local auditors:

	1931		1932	1933
	January 1	December 31	December 31	December 31
Current assets.....	£100,000	£110,000	£115,000	£125,000
Current liabilities:				
To U. S. A. Company	4,000	6,250	6,000	4,000
(due in dollars)....	(\$20,000)	(\$25,000)	(\$21,000)	(\$20,000)
To others (due in				
sterling).....	£ 36,000	£ 58,750	£ 69,000	£ 61,000
	£ 40,000	£ 65,000	£ 75,000	£ 65,000
Net current position.....	£ 60,000	£ 45,000	£ 40,000	£ 60,000
Fixed assets—less reserves.....	£ 75,000	£ 70,000	£ 65,000	£ 65,000
Funded debt.....	20,000	20,000	20,000	20,000
Net fixed position..	£ 55,000	£ 50,000	£ 45,000	£ 45,000
Total equity.....	£115,000	£ 95,000	£ 85,000	£105,000
Capital stock.....	£100,000	£100,000	£100,000	£100,000
Earned surplus*:				
Balance, January 1st	£ 15,000	£ 15,000	£ 5,000	£ 15,000
Profit or loss for year		15,000	10,000	20,000
Dividend paid June 30th.....		5,000		
	£ 15,000	£ 5,000	£ 15,000	£ 5,000
Total capital and surplus.....	£115,000	£ 95,000	£ 85,000	£105,000

\*Italics indicate red figures.

## Students' Department

Note:

Earned surplus, June  
30, 1932.....

£ 10,000

Exchange rates on  
balance-sheet dates  
Do. on June 30th

5

4

3.50

5

5

4

Prepare:

1. A columnar statement whereon the U. S. A. Company's entries to its investment and surplus accounts are shown. Give full explanations on the statement.
2. A statement of revenue surplus showing the ultimate profit or loss on exchange with proper explanation of how it came about.
3. State briefly in what manner the exchange risks could have been averted.

*Solution:*

To prepare a statement showing the entries to the investment account and the surplus account of the U. S. A. Company, it will be necessary first to convert the underlying equity of the U. S. A. Company in the X Company, Limited, from pounds to dollars. It will be noted that the net worth of X Company, Limited, is made up of the amounts shown as the net current position and the net fixed position. The accepted principle of converting the net current assets at the rate of exchange as at the balance-sheet date, the net fixed assets at the rate prevailing at the time of the purchase of such assets, and the funded debt at the rate at the time such debt was incurred is used in this solution. The purchase date of the fixed assets, and the date the funded debt was incurred may be considered as January 1, 1931, when the U. S. A. Company acquired its controlling (90%) interest.

The following statement (schedule 1) shows the conversion of the net current and net fixed assets of X Company, Limited, with the resulting increases or decreases, by periods, of the net worth expressed in dollars:

	Pounds	Rate	Dollars	Gain Loss*
<i>Schedule 1</i>				
January 1, 1931:				
Net current position.....	£ 60,000	5	\$300,000	
Net fixed position.....	55,000	5	275,000	
Total.....	£115,000		\$575,000	
June 30, 1931:				
Dividend paid.....	5,000	5	25,000	
Difference.....	£110,000		\$550,000	
December 31, 1931:				
Net current position.....	£ 45,000	4	\$180,000	
Net fixed position.....	50,000	5	250,000	
Total.....	£ 95,000		\$430,000	
Decrease—loss for year 1931.....				\$120,000*

# The Journal of Accountancy

June 30, 1932: (See note)				
Net current position . . . . .	£ 42,500	4	\$170,000	
Net fixed position . . . . .	47,500	5	237,500	
Total . . . . .	£ 90,000		\$407,500	
Decrease—loss for six months ended				
June 30, 1932 . . . . .				\$ 22,500*
December 31, 1932:				
Net current position . . . . .	£ 40,000	3.5	\$140,000	
Net fixed position . . . . .	45,000	5	225,000	
Total . . . . .	£ 85,000		\$365,000	
Decrease—loss for six months ended				
December 31, 1932 . . . . .				42,500*
December 31, 1933:				
Net current position . . . . .	£ 60,000	5	\$300,000	
Net fixed position . . . . .	45,000	5	225,000	
Total . . . . .	£105,000		\$525,000	
Increase—gain for year 1933 . . . . .				
				160,000
Total . . . . .				\$ 25,000*

NOTE.—The problem gives no balance-sheet as at June 30, 1932, but inasmuch as the loss to that date was exactly one-half of that for the entire year, it is assumed that as a result of the loss of 5,000 pounds, the net current and the net fixed positions were each 2,500 pounds lower than at January 1, 1932.

Since the U. S. A. Company may be assumed to take up its profits or losses on this investment by converting the balance-sheets as above, and computing its share of the dollar gain or loss, its investment and surplus accounts would appear as follows:

## Schedule 2

(1) A columnar statement whereon the U. S. A. Company's entries to its investment and surplus accounts are shown.

	Investment in X Company, Limited		Surplus	
	Debit	Credit	Debit	Credit
January 1, 1931:				
To record purchase of 90% interest . . . . .	\$550,000			
June 30, 1931:				
To record receipt of dividend (90% of \$25,000) . . . . .		\$ 22,500		

## *Students' Department*

December 31, 1931:

To record proportionate share of loss for year 1931 (90% of \$120,000) . . . . .	\$108,000	\$108,000
--	-----------	-----------

June 30, 1932:

To record purchase of 5% interest	\$ 25,000	
To record proportionate share of loss for six months (90% of \$22,500) . . . . .	20,250	20,250

December 31, 1932:

To record proportionate share of loss for six months (95% of \$42,500) (Note) . . . . .	40,375	40,375
---	--------	--------

December 31, 1933:

To record proportionate share of gain for year 1933 (95% of \$160,000) . . . . .	152,000		\$152,000
Balance . . . . .		535,875	16,625
Totals . . . . .	\$727,000	\$727,000	\$168,625

NOTE.—On June 30, 1932, when the additional 5% interest was acquired, the exchange rate was 4, and it might be maintained that the 5% of net fixed assets so acquired should thereafter be converted at 4; however, this purchase is such a small part of the total investment that this possible refinement has been ignored, for simplicity, in conversion of balance-sheets and profits.

(2) The net current position is the only section of the balance-sheets that is affected by the fluctuations in the rates of exchange. It will be seen that such position was stated at £60,000 on both the opening (January 1, 1931) and the closing (December 31, 1933) balance-sheets, and further, that the exchange rate on both of these dates was 5. While losses and gains arose through exchange fluctuations within the three-year period, the net current position expressed in dollars at both the opening and closing dates was (£60,000 times 5) \$300,000, and the rate at the date of the one dividend payment was also 5, so that there was no ultimate profit or loss on exchange, excepting that caused by the purchase of the additional 5 per cent. interest at a lower rate.

In showing the loss or gain by periods, it is necessary to determine a base against which to compute any fluctuation. The U. S. A. Company made its investment at a date when the exchange rate was 5. Had there been no exchange fluctuations, its profit on this investment would have been equivalent to 90 per cent. of X's profit in pounds, converted at the rate of 5. On this theory the following statement has been prepared, showing (1), the losses or gains of X Company, Limited, converted at 5; (2) the losses or gains upon conversion into dollars (schedule 1); (3) the difference, regarded as gain or loss on exchange, and (4) the proportionate interest therein of the U. S. A. Company.

*The Journal of Accountancy*

	Gain or loss*			Holding com- pany's portion
	In pounds	Converted at a rate of 5	Per schedule	Gain or loss* on exchange
December 31, 1931:				
Loss for year.....	£15,000*	\$ 75,000*	\$120,000*	\$45,000*
90% thereof.....				\$40,500*
June 30, 1932:				
Loss for six months...	5,000*	25,000*	22,500*	2,500
90% thereof.....				2,250
December 31, 1932:				
Loss for six months...	5,000*	25,000*	42,500*	17,500*
95% thereof.....				16,625*
December 31, 1933:				
Gain for year.....	20,000	100,000	160,000	60,000
95% thereof.....				57,000
Totals.....	£ 5,000*	\$ 25,000*	\$ 25,000*	\$ 2,125

The ultimate gain on exchange is accounted for by the additional stock purchase of 5 per cent. on June 30, 1932; the £42,500 (assumed) of net current assets on hand at this date, when the rate is 4, are converted at 5 on December 31, 1933, and the 5 per cent. interest in the resulting profit of \$42,500.00 is \$2,125.00.

STATEMENT OF SURPLUS, U. S. A. COMPANY, JANUARY 1, 1931, TO DECEMBER 31, 1933

Net operating loss:

Losses:

Year ended December 31, 1931.....	\$ 67,500
Six months ended June 30, 1932.....	22,500
Six months ended December 31, 1932.....	23,750

Total.....	\$113,750
Less: profit for the year ended December 31, 1933.....	95,000

Net operating loss..... \$18,750

Net exchange gain:

Gains:

Six months ended June 30, 1932.....	\$ 2,250
Year ended December 31, 1933.....	57,000

Total gains..... \$ 59,250

Losses:

Year ended December 31, 1931.....	\$40,500
Six months ended December 31, 1932.....	16,625

Net gain on exchange, to be carried as reserve for  
exchange fluctuations..... 2,125

Net deficit, December 31, 1933..... \$16,625

## *Students' Department*

The following statement, which accounts for the change in the U. S. A. Company's dollar interest in the X Company, Limited, during the period, supports the foregoing analysis of operating profit and exchange loss:

	Total dollar value	Parent's interest
Net assets, January 1, 1931.....	\$575,000	\$517,500
Net assets, December 31, 1933.....	525,000	498,750
Decrease *.....	<u>\$ 50,000*</u>	<u>\$ 18,750*</u>
Accounted for as follows:		
Purchase of 5% on June 30, 1932—5% of \$407,500		\$ 20,375
Profit (loss *) for the period.....	\$ 25,000*	
Applicable to original purchase, 90% of \$25,000		22,500*
Applicable to later purchase, 5% of £15,000 (£5,000 of 1932 loss+£20,000, 1933 profit) converted at 5.....		3,750
Payment of dividends.....	25,000*	22,500*
Exchange profit—resulting from 5% interest in net current assets of £42,500 acquired June 30, 1932, at 4 and converted at 5 on December 31, 1933: profit, \$42,500; 5%.....		2,125
Decrease, as above.....	<u>\$ 50,000</u>	<u>\$ 18,750*</u>

(3) The exchange risks could have been averted by hedging, in the following manner: at the time of making its investment, the U. S. A. Company should have sold sterling short in an amount equal to its interest in the net current assets of the subsidiary, and this short position should have been adjusted to reflect subsequent changes in the net current position.

No. 2 (30 points):

From the following municipal trial balance at the close of a fiscal year but before closing the books, prepare a balance-sheet, properly subdivided into funds, after giving effect to necessary entries of the general fund and the sinking fund as of the close of the year and to settlements of all inter-fund balances other than permanent advances:

	DR.	CR.
Accounts receivable general fund.....	\$ 3,321.74	
Appropriation balances (unencumbered), gen- eral fund.....		\$ 1,117.09
Assessments receivable.....	72,621.70	
Bond fund cash.....	2,005.60*	
Bond fund balance (unencumbered).....		678.00
Bonds payable, general capital account.....		250,000.00
Bonds authorized and unissued.....	8,000.00	
Contracts payable, bond fund.....		4,700.00
Due stores fund from bond fund.....		1,227.60
Due stores fund from general fund.....		1,593.96
Due stores fund from other funds.....	2,821.56	
Estimated revenues.....	1,500.00	

# The Journal of Accountancy

	Dr.	Cr.
Fixed property .....	\$ 897,640.00	
Fixed property (income-producing, trust fund) .....	62,000.00	
General fund cash .....	<del>1,842.40</del>	
Income account, sinking fund .....		\$ 1,960.00
Interest account, special assessments .....	620.00	
Loan from general to stores and service fund ..	25,000.00	
Public benefit receivable (assessment fund) ..	6,400.00	
Reserve for encumbrances, general fund .....		2,827.10
Reserve for working capital .....		25,000.00
Reserve for retirement of bonds .....		160,000.00
Reserve for uncollectible taxes .....		2,875.00
Sinking fund cash .....	1,450.00	
Sinking fund investments .....	160,000.00	
Sinking fund requirements .....	1,000.00	
Sinking fund surplus .....		490.00
Special assessment bonds .....		80,000.00
Special assessment fund cash .....	1,872.65	
Stores and service fund working capital (loan from general fund) .....		25,000.00
Stores and service fund cash .....	<del>1,408.22</del>	
Stores inventory .....	15,942.80	
Surplus receipts, general fund .....		896.00
Surplus, special assessment fund .....		1,514.35
Surplus invested in fixed assets .....		647,640.00
Taxes receivable, general fund .....	6,972.61	
Temporary loans, general fund .....		3,000.00
Trust funds balance .....		96,320.00
Trust fund cash .....	6,820.00	
Trust fund investments .....	27,500.00	
Vouchers payable, bond fund .....		3,400.00
Vouchers payable, general fund .....		1,327.30
Work in process, stores and service fund .....	4,827.42	
	<u>\$1,311,566.40</u>	<u>\$1,311,566.40</u>

## Solution:

The following adjustments are not required by the examiners and are presented here for explanatory purposes only.

(1)

Due stores fund from bond fund .....	\$1,227.60	
Bond fund cash .....		\$1,227.60
To record the payment to stores fund.		

(2)

Due stores fund from general fund .....	\$1,593.96	
General fund cash .....		\$1,593.96
To record the payment to stores fund.		

(3)

Stores and service fund cash .....	\$2,821.56	
Due stores fund from other funds .....		\$2,821.56
To record the receipt of cash from bond and general fund, per entries (1) and (2).		



*Students' Department*

---

(4)

Appropriation balances (unencumbered).....	\$1,117.09	
Surplus receipts.....	896.00	
Deficit—general fund.....	5,886.91	
Estimated revenues.....		\$1,500.00
Due assessment fund for public benefits.....		6,400.00
To close appropriation balances, surplus receipts, and estimated revenues to deficit account and to set up the amount due to the assessment fund for public benefits.		

(5)

Surplus, special assessment fund.....	\$ 620.00	
Interest account, special assessment.....		\$ 620.00
To close the latter account.		

(6)

Income account, sinking fund.....	\$1,960.00	
Sinking fund requirements.....		\$1,000.00
Sinking fund surplus.....		960.00
To transfer the above accounts into a reserve for working capital account.		

City of X  
Consolidated fund balance-sheet—Date

	General fund	Stores and service fund	Sinking fund	Special assessment fund	Trust fund	Bond fund	Property	Total
<b>Assets</b>								
Cash.....	\$ 248.14	\$ 4,229.78	\$ 1,450.00	\$ 1,872.65	\$ 6,820.00	\$ 778.00	\$	\$ 15,398.57
Taxes receivable—less reserve for uncollectible taxes of \$2,875.00.....	4,097.61							4,097.61
Accounts receivable.....	3,321.74							3,321.74
Loan to stores and service fund.....	25,000.00							25,000.00
Inventory of stores.....	15,942.80							15,942.80
Inventory of work in process.....	4,827.42							4,827.42
Investments.....		160,000.00						160,000.00
Assessments receivable.....				72,621.70	27,500.00			187,500.00
Public benefits receivable.....				6,400.00				72,621.70
Fixed property—income producing.....					62,000.00			62,000.00
Fixed property.....							897,640.00	897,640.00
Unissued bonds.....						8,000.00		8,000.00
	\$32,667.49	\$25,000.00	\$161,450.00	\$80,894.35	\$96,320.00	\$8,778.00	\$897,640.00	\$1,302,749.84
<b>Liabilities and surplus</b>								
Vouchers payable.....	\$ 1,327.30	\$	\$	\$	\$	\$3,400.00	\$	\$ 4,727.30
Contracts payable.....						4,700.00		4,700.00
Temporary loans.....	3,000.00							3,000.00
Due assessment fund for public benefits.....	6,400.00							6,400.00
Due to general fund.....		25,000.00						25,000.00
Reserve for encumbrances.....	2,827.10							2,827.10
Reserve for retirement of bonds.....			160,000.00					160,000.00
Bonds payable—special assessment.....				80,000.00				80,000.00
Bonds payable.....							250,000.00	250,000.00
Reserve for working capital.....	25,000.00							25,000.00
Surplus (deficit *).....	5,886.91*		1,450.00	894.35	96,320.00	678.00		93,455.44
Surplus invested in fixed assets.....							647,640.00	647,640.00
	\$32,667.49	\$25,000.00	\$161,450.00	\$80,894.35	\$96,320.00	\$8,778.00	\$897,640.00	\$1,302,749.84

# Students' Department

The following is an alternative form for the balance-sheet.

CITY OF X		Balance-sheet—Date	
Assets		Liabilities and surplus	
General fund:		General fund:	
Cash.....	\$ 248.14	Vouchers payable.....	\$ 1,327.30
Taxes receivable.....	\$ 6,972.61	Temporary loans.....	3,000.00
Less: reserve for uncollectible taxes...	2,875.00	Due assessment fund for public benefits...	6,400.00
Accounts receivable.....	3,321.74	Reserve for encumbrances.....	2,827.10
Loan to stores and service fund.....	25,000.00	Reserve for working capital.....	25,000.00
Deficit.....	5,886.91		
Total.....	\$ 38,554.40	Total.....	\$ 38,554.40
Stores and service fund:		Stores and service fund:	
Cash.....	\$ 4,229.78	Due to general fund.....	\$ 25,000.00
Inventories:			
Stores.....	\$15,942.80		
Work in process.....	4,827.42		
Total.....	25,000.00	Total.....	25,000.00
Sinking fund:		Sinking fund:	
Cash.....	\$ 1,450.00	Reserve for retirement of bonds.....	\$160,000.00
Investments.....	160,000.00	Surplus.....	1,450.00
Total.....	161,450.00	Total.....	161,450.00
Special assessment fund:		Special assessment fund:	
Cash.....	\$ 1,872.65	Bonds payable.....	\$ 80,000.00
Assessments receivable.....	72,621.70	Surplus.....	894.35
Public benefits receivable.....	6,400.00		
Total.....	80,894.35	Total.....	80,894.35
Trust funds:		Trust fund:	
Cash.....	\$ 6,820.00	Surplus.....	\$ 96,320.00
Investments.....	27,500.00		
Fixed property-income producing.....	62,000.00		
Total.....	96,320.00	Total.....	96,320.00
Bond fund:		Bond fund:	
Cash.....	\$ 778.00	Vouchers payable.....	\$ 3,400.00
Unissued bonds.....	8,000.00	Contracts payable.....	4,700.00
		Surplus.....	678.00
Total.....	8,778.00	Total.....	8,778.00
Property:		Property:	
Fixed property.....	\$897,640.00	Bonds payable (\$8,000 unissued remain in bond fund).....	\$250,000.00
		Surplus invested in fixed assets.....	647,640.00
Total.....	897,640.00	Total.....	897,640.00
Grand total.....	\$1,308,636.75	Grand total.....	\$1,308,636.75

In the solution to problem 5 of part II of the examination set on November 15, 1934, appearing on pages 223 and 224 of the March, 1935, issue of THE JOURNAL OF ACCOUNTANCY, it was assumed that the retiring partner, Bede, was not paid as of the close of business, December 31, 1932, and, hence, the capital of \$51,467.95 represented the capital of both the partners. This assumption appears to be in error, and I offer the following:

No. 5 (10 points):

Adams and Bede commence in business in copartnership on January 1, 1930. Adams contributes \$40,000 as capital and Bede \$25,000. It is agreed that profits will be divided in the proportions of  $\frac{2}{3}$  to Adams and  $\frac{1}{3}$  to Bede and that 6% interest per annum will be credited on the original capitals. No interest is to be charged on drawings or credited on any excess of interest and profits over drawings. During the term of the partnership Adams' drawings amount each year to \$10,000 and Bede's to \$7,500. At the close of business on December 31, 1932, Bede retires from the firm and is paid from partnership funds the balance standing to the credit of his capital account. The net profits of the partnership were proportionate to the sales which for the three years ended December 31, 1932, respectively, amounted to \$250,000, \$200,000 and \$175,000. Adams will continue the business as a sole trader and at the commencement of business on January 1, 1933, prepares the following statement from the books:

Cash .....	\$ 10,203.16
Accounts receivable .....	16,813.87
Inventories .....	24,311.97
Prepaid expenses .....	250.00
Fixed assets .....	40,000.00
Goodwill .....	15,000.00
	<hr/>
	\$106,579.00
	<hr/>
Accounts payable .....	\$ 24,861.05
Notes payable .....	15,000.00
Accrued liabilities .....	750.00
Reserves:	
For bad debts .....	2,500.00
Depreciation .....	12,000.00
	<hr/>
	\$ 55,111.05
Capital .....	51,467.95
	<hr/>
	\$106,579.00
	<hr/>

Prepare a statement of the partners' capital accounts for the three years ended December 31, 1932.

*Solution:*

The profits for the three years may be determined as follows:

Capital (Adams) at January 1, 1933 .....	\$51,467.95
Add—withdrawals by Adams at the rate of \$10,000 per year for three years .....	30,000.00
	<hr/>
Total .....	\$81,467.95

# Students' Department

Deduct—

Original capital contributed by Adams . . . . .	\$40,000.00	
Interest on original capital for three years at 6% per annum . . . . .	7,200.00	\$47,200.00
Profit (after interest) credited to Adams . . . . .		\$34,267.95
Profit (after interest) credited to Bede (50% of \$34,267.95) . . . . .		17,133.97
Total profit (after interest) for the three years		\$51,401.92

The statement of the yearly profits, interest on original capitals, and the remaining profits follows:

Year	Sales	Fraction	Profits before interest	Interest on original capitals	Total profits
1930 . . . . .	\$250,000.00	250/625	\$20,560.77	\$ 3,900.00	\$24,460.77
1931 . . . . .	200,000.00	200/625	16,448.61	3,900.00	20,348.61
1932 . . . . .	175,000.00	175/625	14,392.54	3,900.00	18,292.54
Totals . . . .	\$625,000.00	625/625	\$51,401.92	\$11,700.00	\$63,101.92

## ADAMS AND BEDE

Statement of partners' capital accounts for the period January 1, 1930, to December 31, 1932

	Adams $\frac{2}{3}$	Bede $\frac{1}{3}$	Total
1930:			
Original contributions, January 1, 1930 . . . . .	\$40,000.00	\$25,000.00	\$65,000.00
Interest on original capital for the year . . . . .	2,400.00	1,500.00	3,900.00
Remaining profits for the year . . .	13,707.18	6,853.59	20,560.77
Totals . . . . .	\$56,107.18	\$33,353.59	\$89,460.77
Withdrawals during the year . . .	10,000.00	7,500.00	17,500.00
Balance, January 1, 1931 . . . . .	\$46,107.18	\$25,853.59	\$71,960.77
1931:			
Interest on original capital for the year . . . . .	2,400.00	1,500.00	3,900.00
Remaining profits for the year . . .	10,965.74	5,482.87	16,448.61
Totals . . . . .	\$59,472.92	\$32,836.46	\$92,309.38
Withdrawals during the year . . .	10,000.00	7,500.00	17,500.00
Balance, January 1, 1932 . . . . .	\$49,472.92	\$25,336.46	\$74,809.38

*The Journal of Accountancy*

1932:

Interest on original capitals for the year . . . . .	\$ 2,400.00	\$ 1,500.00	\$ 3,900.00
Remaining profits for the year . . .	9,595.03	4,797.51	14,392.54
	<hr/>	<hr/>	<hr/>
Totals . . . . .	\$61,467.95	\$31,633.97	\$93,101.92
Withdrawals during the year . . . .	10,000.00	7,500.00	17,500.00
	<hr/>	<hr/>	<hr/>
Balance, December 31, 1932 . . . .	\$51,467.95	\$24,133.97	\$75,601.92
		<hr/>	<hr/>
Add: payment for goodwill (note)		15,000.00	
		<hr/>	
Amount paid to Bede . . . . .		\$39,133.97	
		<hr/>	
Balance, in Adams' capital account, January 1, 1933 . . . . .	\$51,467.95		
	<hr/>		

NOTE.—It is assumed that \$15,000 in cash was paid to Bede on December 31, 1932, when he withdrew from the partnership.